

**MINUTES
BOARD OF SELECTMEN
WEDNESDAY, SEPTEMBER 20, 2006
JOINT MEETING
COMMUNITY ROOM, CHENERY MIDDLE SCHOOL
7:00 PM**

A special meeting of the Board was called to order in open session at 7:00 PM in the Community Room of the Chenery Middle School. All members were present. Town Administrator Tom Younger and Assistant Town Administrator Jeff Conti were also present. The Board met jointly with the Warrant Committee, School Committee, and Capital Budget Committee to hear the reports of the structural subcommittees.

Health Insurance Subcommittee (Phil Curtis): This subcommittee looked at partially self-funding the Town's health insurance. The cost of the FY07 health insurance program with Harvard Pilgrim is \$10.3 million. They administer the plan and assume all the risk. If the Town self-funds, the administration of the plan is contracted out, the Town pays the claims itself and assumes the risk. This is projected to cost \$7.1 million.

Chris Delorey explained that a large number of Harvard Pilgrim's insurance pools over 1000 people are at least partially self-funded. The subcommittee got price quotes from Harvard Pilgrim for administration and re-insurance (stop-loss) premiums and built a model of what this alternative might cost the Town. It is predicted these costs would total about \$664,000. Harvard Pilgrim currently charges us \$2 million for the equivalent of these services. Assuming an expected amount of claims, plus 25%, the total maximum cost of the self-funded option would still be less (\$9.6 M) than our current option. Another advantage is that any savings in health care usage and wellness goes to the Town and not the insurance company under a self-funded plan. The subcommittee did not see any excessive risks in pursuing this option.

Mr. Curtis noted that to pursue this, the Town would need to establish a stabilization fund for health insurance to pay claims out of. The Town might not see significant decreases in costs in the first couple of years.

Regionalization/Collaboration Subcommittee (Mark Paolillo): This group looked at ways in which the Town could combine the delivery of services with other cities and towns. Rather than narrow the focus to a few areas, the subcommittee decided to use a broad brush and look at all potential opportunities.

In order to proceed, Belmont needs to know the level of interest of its neighbor communities. At the subcommittee's request, the Selectmen have sent a letter to 14 neighboring communities asking for a reply indicating their level of interest in exploring collaboration in a number of areas. Lexington and Arlington have responded favorably already.

The opportunities identified by the Committee came from interviews with Town Department heads and a number of Town meeting members:

- Public Safety: E911 dispatch, fire suppression, and EMT services. Fire Chief Frizzell is very supportive of pursuing this.
- Public Works: Expand MWRA to include water/sewer/stormwater management; joint bidding of sidewalk maintenance; cemetery and park maintenance; vehicle maintenance; trash collection/recycling; street painting and sweeping; building inspections.
- Social Services: Recreation programs and facilities management; public health director/nurses; veteran's services; animal control officer; weights and measures; health inspections.
- Other: health insurance consortium, common purchasing of supplies.

Next steps: Schedule meetings with interested towns. A meeting has also been scheduled with the Metropolitan Area Planning Council to discuss regionalization efforts.

Outsourcing Subcommittee (Diane Stafford): This group's task was to evaluate possibilities for outside contracting for services currently provided by Town departments. Currently, the Town already outsources many functions totaling some \$9.2 million. The subcommittee looked at what other towns are doing and found that most do not outsource as much as Belmont does. Some exceptions are Danvers, which has outsourced grounds maintenance for town and schools, ambulance, public health nursing, animal control, and traffic line painting. Lexington has outsourced non-DPW fleet maintenance, and Needham is considering this as well.

The subcommittee also calculated a model of the lifetime cost to the Town of a part time employee including medical, retirement and other benefits. An employee working 20 hours per week at \$12 per hour for 30 years would have a total cost of \$1.38 million, including \$445,000 in salary/pension and \$937,387 in health care. Given this cost structure, the Town could pay a contract employee a higher salary and still save money.

The subcommittee recommends continuing to investigate services that other Towns have contracted out, and those that meet the following criteria: Require general and not local expertise; carry no legislative or regulatory mandate; have adequate competition among providers; have a relatively high in-house delivery cost; have a small scope and specialized function (resulting in economies of scale if outsourced); have a defined scope of work and measurable outputs.

Waste Management Subcommittee: The Committee has not met. They will report later in the fall.

Consolidation of Town and Schools Subcommittee (Mike Widmer): This group explored potential efficiencies in consolidating the following areas: Buildings, Information Technology, Human Resources, and Finance. The subcommittee decided to focus

initially on Building Maintenance first, planning to move on to IT and HR in 2007. It was felt that the Finance issue should be deferred and considered as part of a future discussion about the Town's financial positions.

The subcommittee's plan to examine the buildings issue is to assemble existing information; obtain input from other communities that have consolidated this function; interview key school and Town personnel, and gather information about how this function is currently being managed including budgets and personnel. The subcommittee plans to make recommendations to the larger group in December in time for possible consideration for incorporation into the FY08 budget.

New Sources of Revenue Subcommittee (Jim Heigham): Some fees are controlled by statute. State law generally holds that municipal fees should not be designed to make a profit beyond cost and overhead. In 2001, Belmont reviewed its fees and found them to be generally in line with other towns.

Fire, DPW and other departments do currently provide some free services which the Town should probably charge for. This should be looked into in more detail.

Recreation fees could be increased to take into account the cost of DPW maintenance of athletic fields. However, the power to set the fees lies with the Recreation Commission. It is necessary to be careful not to raise fees so high that recreation programs lose customers.

Cemetery fees are determined by the Cemetery Commissioners. The subcommittee should inquire as to how these fees are determined and how the money is used.

School athletic fees are currently \$220 per student/\$440 per family at the high school, and \$50 per student/\$100 family at the middle school. These fees are under the control of the School Committee. At present, the fee revenue does not appear to be covering costs.

Building fees: These are based on construction costs.

Payment in lieu of taxes (PILOT): The best targets to investigate in this area are Belmont's two large private schools.

20-Year Asset Management Plan Subcommittee (Ralph Jones): "Asset" in this context refers to infrastructure – water, sewer, pavement, and buildings. The idea here is long range planning to invest when and where needed in order to preserve and maintain the infrastructure.

Belmont could potentially save 20-40% of costs if such a plan is implemented. However, the voters have to be willing to spend money when the plan calls for it in order to save money further down the road. Better estimates of the savings and a comprehensive list of options are needed. Also critical will be a strategy to communicate the advantages of the plan to the voters. By next spring's Town Meeting it should be possible to present a

report and discuss a plan. The Water and Sewer Departments have already begun looking at this.

Energy Resource Savings Subcommittee (Jenny Fallon): We have 1 million square feet of public buildings and a rough annual energy cost of \$1.5 million which will only increase from year to year. Unit price and usage are the main factors in this cost. There seems to be little the Town can do to affect unit price, but controlling usage is possible.

The Town and School should adopt a formal policy on energy usage. It will require behavior changes by employees, students, and the public. Someone should be in charge of coordinating this, whether it be a staff person or a new committee. Oversight responsibilities would include developing and monitoring effectiveness; setting goals for reduced usage and educating users; accessing expertise in analysis; and advising on budgets and doing outreach. If Belmont could adopt a policy and decide on a coordinating authority by January 1, energy savings work could begin next year, taking advantage of the momentum from the ESCO project and the anti-idling campaign.

Systems and Process Efficiency Subcommittee: (Tom Younger): One of the key issues is the efficiency of organizational functions. This can be difficult because Belmont has separate elected and appointed bodies. The Town is seriously looking at how to work better together with the citizenry, including an effort to improve our web site capabilities for interactive use by residents. More work will be done during the fall.

Defining Core Activities (Angelo Firenze): A group has been identified of committee members interested in tackling this. These people should be assigned by the Board of Selectmen to a Defining Core Activities Subcommittee and begin that project.

The Board moved: to appoint Angelo Firenze, Ralph Jones, Peg Callanan, Jim Staton, Jenny Fallon, Mark Clark, and Clayton Christensen to the Defining Core Activities Subcommittee.

Motion passed unanimously (3-0).

General discussion: Phil Curtis added that the amount of money the Town would no longer be paying to Harvard Pilgrim would be anywhere from \$800,000 to \$2.7 million depending on the amount of claims. This might not lead to a reduction in premiums right away, though, because the Town would need to build up a catastrophic reserve similar to those maintained by insurers.

Selectman Firenze asked if a switch to a self-funded program would need to be negotiated with unions. Mr. Curtis said that the employee's benefits would not change, so he did not think so, but the Town would need a ruling on that from Town Counsel.

Liz Allison noted that the Town might be less inclined to be a stickler when evaluating claims of our colleagues than Harvard Pilgrim is. Also, what happens if the stop-loss insurance is not available after a few years? Ralph Jones responded that in the private

sector, his firm has had this type of insurance for ten years and has always been able to get stop-loss coverage.

Mark Clark asked if the Town would need to hire any personnel to assist with the administration. Mr. Curtis said that this concern was raised by the Town employees who serve on the Health Insurance Advisory Committee. The subcommittee does not believe at present that it would be necessary to add personnel for this; however, there should be a standing committee of health care professionals to oversee and monitor the program.

Mr. Conti stated that the Town looked at a partial self-funding option for property and liability insurance this year. Although the proposal was financially competitive, the Town's consultant recommended against choosing this option this year because of the difficulty of transitioning from a fully-insured to partially-insured model. However, the consultant did feel that this would be a good option to consider in the future.

School Director of Finance Gerry Missal added that the Minuteman-Nashoba group of communities has been around for 15-20 years and went self-funded about 9 years ago. Mr. Curtis said the subcommittee would like to contact that group to get their perspective.

Ms. Stafford noted that the Regionalization, Consolidation, and Outsourcing groups are looking at many of the same service areas. She recommended that the three groups agree to focus their attention on different service areas so as not to overlap each other's work.

Mr. Clark pointed out that there are other cost factors to outsourcing besides salary, such as space usage, termination costs, overhead. Ms. Allison said that the subcommittee will look at these factors and do a cost analysis in more detail once it is decided which service areas to focus on. She also noted that outsourcing isn't just about cost savings but can also be about improving quality of service.

Selectman Firenze said that sometimes the Town has trouble filling positions because of the limits on what Belmont can afford to pay its employees. If outsourcing means that the Town could afford to pay more in salary to a contracted employee and still save money on benefits and other areas in the long run, this might mean the Town is able to provide expanded and improved service over what we do now.

Phil Curtis noted under the asset management and new revenue areas that the pools and rink are assets that could generate more revenue than they do. He recommended that these groups should look at how the Town could manage them better.

Selectman Firenze asked about the possibility of offering expanded road trips through the Recreation Department that might make a profit for the Town. Mr. Younger said there are public-private partnerships that do this, where the Town would get a portion of the proceeds and the private firm provides the administration, allowing the Town to offer bigger and better trips that couldn't be managed by the Town alone.

Chairman Solomon said the next step is to make sure anything that could be put in place for the FY08 budget gets worked on as a priority. Each group will make this determination and focus on those areas.

The group agreed to meet next on Wednesday, November 1, unless the meeting needs to be rescheduled because of Warrant Committee obligations leading up to Town Meeting.

The Board adjourned at 9:06 PM.

Thomas G. Younger
Town Administrator